



Managing Mineral Wealth

The Revenue Dimension: New Issues and Practices



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Sustainability of mining projects hinges on the quality of revenue distribution arrangements

Revenue distribution includes:

- compensation for use of land
- compensation for negative impacts - resettlement, loss of habitat, etc
- investment by companies in communities to secure license to operate
- rent distributed between public and private i.e. contracts
- rent distributed at national - regional - local (including indigenous peoples) levels

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What role for private companies?

- Strong track record in “do no harm” policy compliance
- In terms of “doing good”, opportunity to apply good practice with respect to the diagnostic, design and delivery of investments.

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New partnerships have begun to set rules/identify good practices for local, national and global action

- MMSD project: focus on economic effects of mining and managing mineral wealth
- ICME Charter for Sustainable Development, 2000 includes as principle to “contribute to and participate in the social, economic and institutional development of the communities...”
- Policy dialogue: In Andean countries --diagnostic comparative study of revenue distribution
- Best Practices in dealing with Social Impacts of Hydrocarbon Operations:
www.worldbank.org/html/fpd/energy/oil&gas/BestPractices

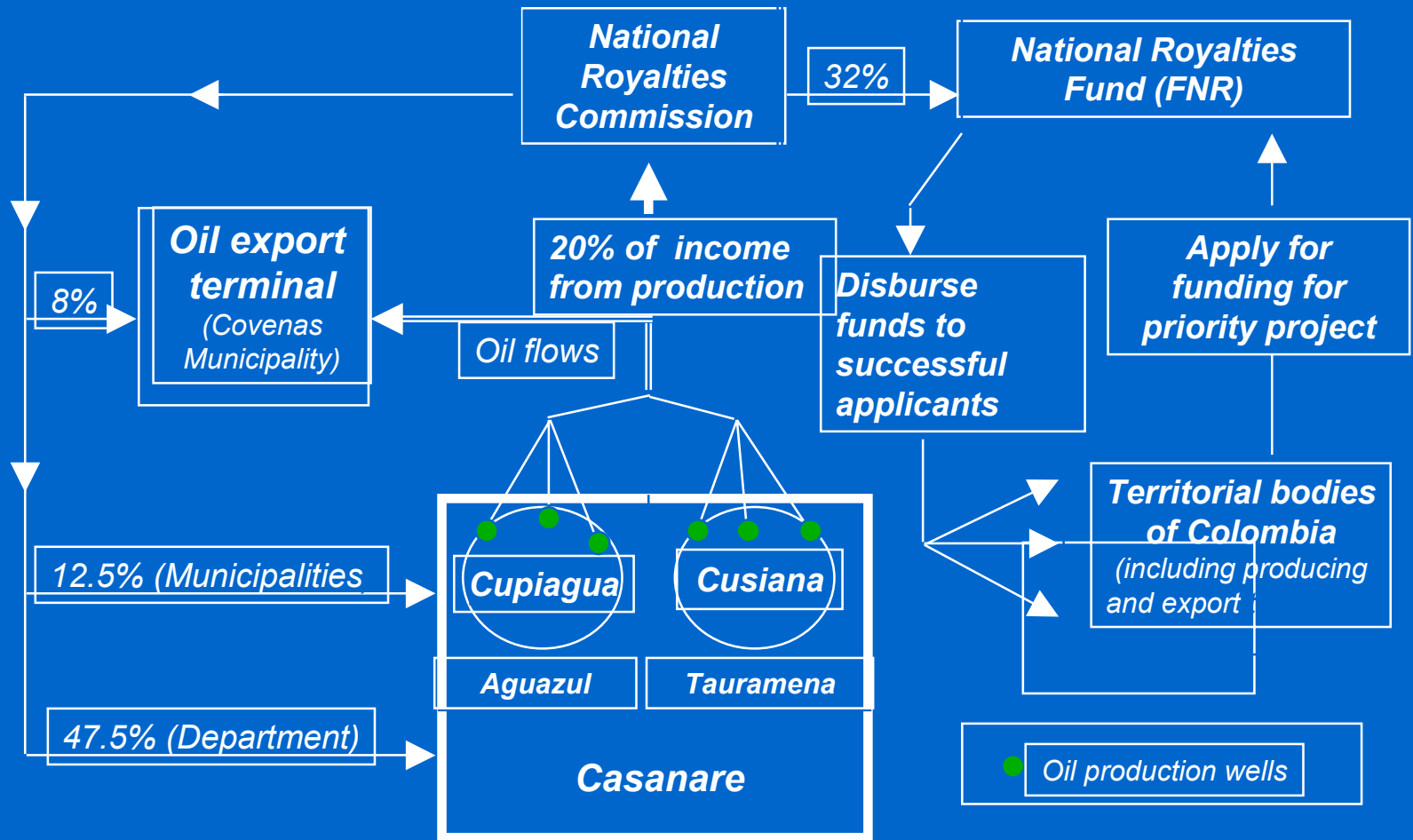
Good Diagnostic Practices

- Country risk assessments: *good governance*
- PWBLF: Optimizing Business Multipliers: *monitoring and reporting*
- Strategic Environmental and Social assessments
- Review of *regulatory frameworks* for revenue distribution
- ICME's Community Development Management tools: *capacity building* for sustainable communities

Good Design Practices

- Integrated Benefits packages in MoAs: *transparency*
- Forge *partnerships* with governments and communities to help manage revenue distribution: *improve governance*
- Regional planning and execution: BP's Casanare 2000 in Colombia, RTinto's QIT in Madagascar: *governance*
- "Future Generations Funds": *absorptive capacity*

Royalty allocation in Colombia



Source: World Bank Social Development Paper 31 (1999). *BPXC's Operations in Casanare, Colombia: Factoring social concerns into development decisionmaking*

Good Delivery Practices

- Foundations – social investments rather than benefits distribution: *good governance*
- Infrastructure tax credits: ensure revenues benefit local communities
- *Dispute resolution*: important even where strong capacity among project partners
- *Independent monitoring*: transparent tracking and auditing mechanisms

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Operational Implications

Challenge: help ensure that revenues to regional/local levels being used for development—delivery and results

How?: private companies seek partners to deal with “beyond project” issues, e.g. policy frameworks, capacity building/targeted interventions to meet needs of the communities

Short term

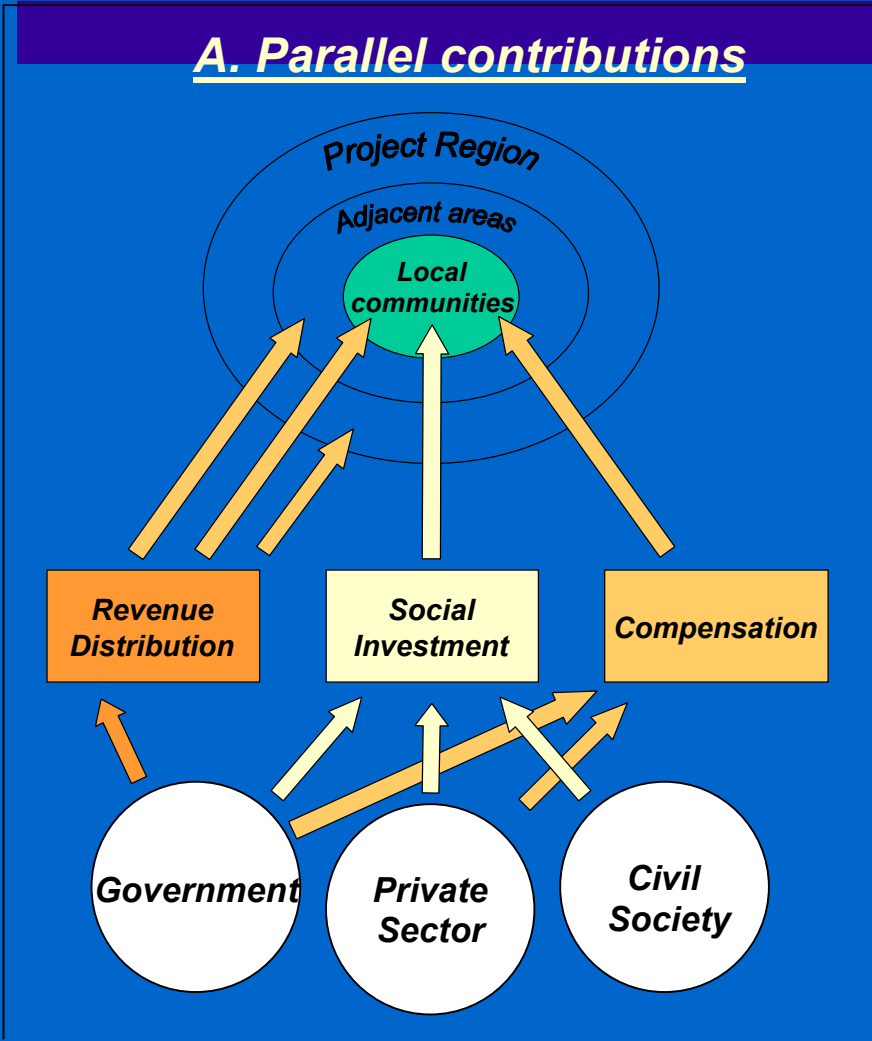
- transparency

Medium term

- regulatory framework
- support improved governance

Approaches to benefits distribution

A. Parallel contributions



B. Partnership approach

